

# Presentation to the City Council of the City of Columbia, Missouri, Concerning Special Tax Districts (NID's, CID's, and TDD's)

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Dated: September 17, 2012

# What Are NID's, CID's, and TDD's?

- Why are there so many special tax districts authorized in Missouri?
- How are they formed?
- What types of improvements, fees, etc., can they pay?
- Where do they get their money?
- What control does the City of Columbia exercise over them?

# Why Are There So Many Special Tax Districts?

- In 1980 Missouri voters approved the Hancock Amendment.
- The Hancock Amendment added Sections 18-24 of Article X to the Missouri Constitution. It contains three different limitations:
  - A state revenue limit and tax refund provisions;
  - A state mandate provision; and
  - A local government tax limit and voter approval provision.

# Hancock Limitation on Municipal Government

- Sections 16 and 22 impose a tax limit and voter approval requirement such that voter approval is required before any political subdivision can levy any “tax, license, or fees” not authorized at the time the Hancock Amendment was adopted.

# Legislative Response to Hancock Amendment

- Special Tax Districts proliferated in order to give developers and municipalities the ability to control who was considered as the “electorate” for the purposes of approving taxes for “needed” public improvements



# What are Neighborhood Improvement Districts (“NID”)?

- A Neighborhood Improvement District is a geographically bounded area within which certain public improvements are financed by the local government through the issuance of notes or general obligation bonds, which, in turn, are paid by assessing property owners
- NID's are not authorized to collect sales taxes
- A NID requires a two-thirds vote of affected property owners approving the formation of the district and the payment of special assessments
- The local government authority can issue temporary notes to finance improvements which then can be replaced by the governmental authority's general obligation bonds
- Not a tool typically used by developers

# What is a Community Improvement District (“CID”)?

- Special purpose self-taxing district created by Missouri legislature in 1997
- If properly created, has the power to levy and collect special assessments and taxes
- Can use its funds to construct and maintain a variety of public improvements, support business activity, and provide for economic development within district boundaries
- Can issue tax exempt revenue bonds

# How is a CID Formed?

- A CID is formed by the governing body of any municipality or county
- It can be either formed as a political subdivision of the state or as a not-for-profit corporation under Chapter 355
- Requires a petition to be filed with the municipal clerk
- Formation follows a public (duly noticed) public hearing and favorable vote by the Council
- The petition has to be signed by property owners owning more than 50% by value of the real property within the boundaries of the proposed district as well as by more than 50% per capita of all owners of real property within the boundaries of the district



# How is the CID Governed?

- The CID is governed by a Board of Directors
- The CID has to have at least 5 and not more than 30 directors
- The CID's Board of Directors is elected by registered voters living within the CID's boundaries, but if there are no registered voters, then the property owners within the district (who have one vote per acre of real estate owned)
- A Director has to be either an owner of real estate within the District or of a business operating within the district or be the authorized representative of same, or be a registered voter residing within the district
- If the District is a political subdivision, the Board has to be elected or appointed as provided in the Petition
- If the Petition so prescribes, the Board of Directors can be selected by the Mayor with the advice and consent of the City Council
- If there are fewer than five (5) owners of real property within the district, the Board may be comprised of up to 5 legally authorized representatives of any of the owners of real property within the district.

# How Does the CID Raise Money?

- If the district is a political subdivision, it can levy real property taxes and business license taxes only if it is in the county seat of a first class county having a population of at least 200,000 persons
- If the district is a political subdivision, it can levy sales taxes
- The CID may levy and collect special assessments

# What Powers Does the CID Have?

- To acquire real estate within its boundaries by purchase
- To sell real or personal property
- To borrow and loan money
- To construct, install, maintain, and equip any of the following public improvements:
  - Pedestrian or shopping malls and plazas;
  - Parks, lawns, trees, and any other landscape;
  - Convention centers, arenas, aquariums, and meeting facilities;
  - Sidewalks, streets, alleys, bridges, parking lots, lakes, dams, waterways, etc., etc.

# What is a Transportation Development District (“TDD”)?

- The TDD law has been around since 1990. It was created in order to permit locally established districts to construct transportation related improvements or infrastructure.



# How is a TDD Formed?

- A TDD requires that a petition to be filed with the applicable Circuit Court by all of the property owners within the district
- The Missouri Highways and Transportation Commission as well as the local governmental authority in which the district will be located must be notified and given an opportunity to consent or object to the formation of the district
- The Circuit Court has a hearing in open court concerning the formation of the district and thereafter enters its decree directing the formation of the district



# Does MoDOT Have Special Rights?

- MoDOT has the right to appoint one or more advisors to a TDD Board (the statute says “the Commission shall appoint one or more advisors to the Board . . .”). These advisors have no vote but have the authority to participate in all board meetings and discussions. MoDOT does not do this.

# How Does the TDD Raise Money?

- A TDD can levy special assessments and additional real estate taxes if approved by four-sevenths of the qualified voters in the district; also it can levy and collect sales taxes of up to 1% on retail sales within the district
- Sales taxes cannot apply to the sale of motor vehicles, trailers, or outboard motors, nor to the sales of electricity or electrical current, water, and gas; nor to telephone services
- Once the sales tax is imposed, it cannot be rescinded or repealed until the district's repayment of its debts has occurred or is otherwise assured

# Can a TDD Condemn Property?

- A TDD can condemn property if either MoDOT or the local transportation authority approves of the condemnation
- The local Circuit Court frequently enters orders restricting a TDD's condemnation rights

# What Are The Problems With CID's and TDD's?

- Taxation without representation
- Lack of input or control by City
- Lack of control over expenditures
- Sales tax revenues are collected by DOR without any accounting to the City
- Lack of available staff to audit or correct abuses
- Failure to comply with Sunshine laws
- Other

Questions?